

Message Text

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PAGE 01 PARIS 20066 041126Z

43

ACTION EB-07

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DEPARTMENT PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR EEC ETRD

SUBJECT: PARIS SUGAR MARKET DEVELOPMENTS

REF: PARIS 19797

1. MINISTRY OF COMMERCE OFFICIALS ARE AWARE OF THREATS RECENTLY MADE BY THE PROVISIONAL ADMINISTRATOR (MAITRE PESSON) OF THE CAISSE DE LIQUIDATION TO DECLARE THE CAISSE BANKRUPT. THEY SAY SUCH AN ACTION WOULD NOT BE IN THE INTERESTS OF FRANCE AS IT WOULD ENTAIL AUTOMATIC CLOSING OF THE COCOA AND COFFEE MARKETS WITH A REPETITION OF THE SUGAR CRISIS FOR THOSE TWO COMMODITIES. IT COULD ALSO COMPROMISE THE WELL ADVANCED PLANS FOR RESTRUCTURING COMMODITY TRADING. ACCORDING TO A LEGAL ADVISER IN THE MINISTRY OF COMMERCE IT IS LEGALLY IMPOSSIBLE FOR THE CAISSE TO SEPARATE ASSETS RELATING TO COFFEE AND COCOA FROM OTHER ASSETS OF THE BANK. THEREFORE THE FATE OF THESE MARKETS IN CASE OF BANKRUPTCY IS PRE-DETERMINED. THE GOF IS ALSO CONSCIOUS OF THE POTENTIAL REPERCUSSIONS IN THE FINANCIAL COMMUNITY FROM A FRENCH COMMERCIAL BANK FAILURE. THIS HAS JUST BEEN UNDERLINED BY THE LONDON INTERNATIONAL COMMODITY CLEARING HOUSE WHICH HAS INFORMED THE GOF THAT IT CANNOT

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ENVISAGE PARTICIPATING IN THE CAPITAL OF THE PROPOSED

NEW CLEARING BANK UNTIL CURRENT FINANCIAL PROBLEMS ARE RESOLVED. FURTHERMORE THE ICCH WILL ATTACH A NOTE TO ITS ANNUAL FINANCIAL REPORT STATING THAT THE CAISSE IS IN DEFAULT ON PAYMENTS DUE THE ICCH, GIVING A TOTAL POTENTIAL DEBT OF 128 MILLION FRANCS.

2. COMMENT: PRESSURE IS BUILDING UP ALL AROUND. IT SEEMS TO THE EMBASSY THAT MAITRE PESSON IS ENGAGING IN A THEATRICAL PERFORMANCE. HIS THREATS TO DECLARE BANKRUPTCY MAY SEEM MORE CREDIBLE TO THOSE PARTIES HAVING A LARGE FINANCIAL STAKE AT ISSUE. PESSON ACTS SOMEWHAT LIKE THE ARBITRATOR OF A LABOR DISPUTE. THE GOF IS TRYING TO HELP HIM BY CONVINCING EVERYONE THAT THE GOVERNMENT IS NOT GOING TO BAIL ANYONE OUT. THIS ATTITUDE ENJOYS CREDIBILITY. IT IS CONCEIVABLE TO US THAT THE GOF COULD FIND SOME FINANCIAL RESOURCES IF THE LONGS AND SHORTS COME CLOSE TO AN AGREEMENT. THIS WEEK MAY BRING THE DENOUEMENT.
GAMMON

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